



December 3, 2004

The Honorable John Boehner, Chairman
Committee on Education and the Workforce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the 350,000-member National Taxpayers Union (NTU), I write to offer comments on a recent provision of the FY 2005 Omnibus Appropriations Bill that would hasten implementation of an updated eligibility formula for Pell Grants.

As you may know, NTU and its members have found little merit in the soon-to-be-passed Omnibus Appropriations legislation. Despite holding growth of the domestic discretionary spending categories it encompasses to roughly one percent overall, this achievement must be weighed against the fact that total federal outlays have skyrocketed by 29 percent since 2001. In addition, this year's appropriations process has been marred by a record-shattering number of earmarks that burden the taxpaying public at large for the sake of parochial interests.

Nonetheless, some aspects of the Omnibus Appropriations Bill may offer the potential for more deliberate management of taxpayer funds. One such provision would encourage the Education Department to revise its 17-year-old state tax data used to determine Pell Grant eligibility thresholds. Indeed, a 1992 law requires regular updates of this readily-available information, whose incorporation into eligibility criteria now could lead to more responsible administration of this program.

Proponents of this measure cite its desirable impact on Pell Grant distribution outcomes as well as its prospect of facilitating future targeted funding increases. However, NTU is solely concerned with the salutary fiscal effect the measure could have.

Pell Grant funding has already increased by an alarming 42 percent from FY 2001 to FY 2005. If using more current tax data allows existing Pell Grants to be directed more readily toward the middle- and low-income recipients for whom the program was designed, perhaps those lawmakers agitating to boost levels still-higher will be deprived of a convenient political weapon for doing so. Indeed, it is likely that outdated eligibility information was one factor propelling this cost spiral in recent years.

Next Page, Please ...

Ultimately, policymakers at all levels must reconsider the role of government in higher education. Professor Richard Vedder, who serves on NTU's Board of Directors, has persuasively argued in his recent book *Going Broke by Degree* that heavy taxpayer subsidies for college have short-circuited the one-on-one relationship between consumer and provider that controls costs and encourages accountability. He urges a fundamental transformation in higher education toward free-market principles, involving transitional steps such as direct vouchers for students, a research-grant process that rewards institutions with low overhead, and public-subsidy limits for state-run universities that exceed tuition-growth caps.

In the interim, the federal government should act to ensure that its existing programs, whether suited or not to the future academic environment, reflect the "best practices" of competent administration. For this reason, if properly implemented the proposal your Committee has championed offers taxpayers a disciplined alternative to ill-considered spending hikes that will only further imperil the nation's finances.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pete Sepp', with a stylized, sweeping flourish at the end.

Pete Sepp
Vice President for Communications